ABSTRACT OF THE DISCLOSURE

A portfolio optimization process that diversifies model risk by favoring a more diversified portfolio over other portfolios with similar characteristics is provided. According to one aspect of the present invention, an intelligent search is performed for a diverse portfolio that meets a predetermined diversity budget. An initial portfolio is determined based upon an available set of financial products. The cost associated with more diversified portfolios compared to the initial portfolio is considered and one of the more diversified portfolios is selected that has an associated cost that is less than or equal to the predetermined diversity budget.